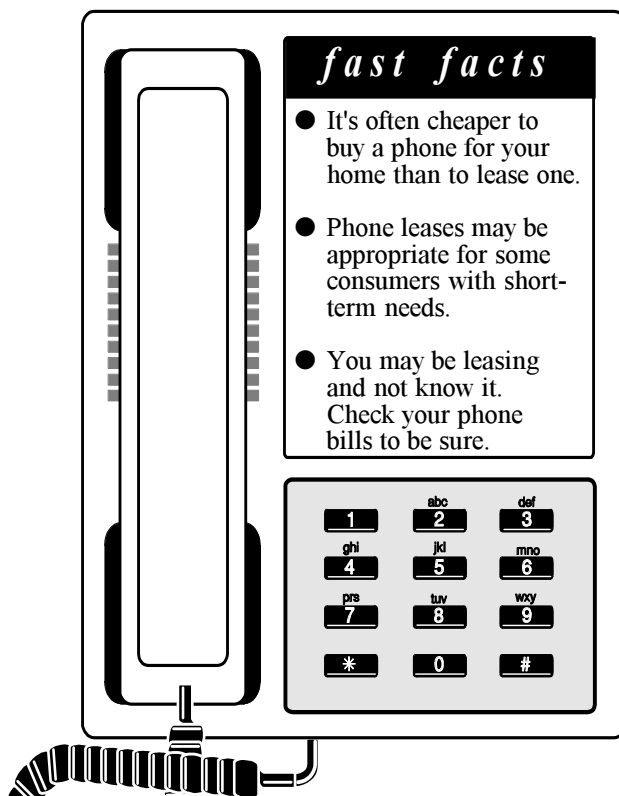


Facts for Consumers

Focus on Phone Leasing



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
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Talk may be cheap, but leasing telephones can cost more than you think. Several million people continue to lease their home phones, even though the purchase price of a telephone is a fraction of the long-term cost of leasing. If any of your phone bills has a charge for "leased equipment," you are leasing your phone(s). Some telephone lease companies send you a separate bill for lease charges. Others include lease charges as part of your monthly phone bill.

At one time, everyone leased their telephone from the telephone company. More than 10 years ago, the situation changed: the phone company's local and long distance businesses were split up, and consumers were given the chance to buy their leased phones — or to buy a new phone from a variety of retail stores.

Since then, many people have taken advantage of the right to buy their telephones, and they may have saved hundreds or even thousands of dollars over the years. It made good economic sense to these consumers, and it still is something to consider. Changes in the telecommunications industry and advances in technology have brought more telephones to the marketplace — with a wide range of price tags. Indeed, telephones are available today to suit virtually all tastes and budgets.

If you are leasing your home phone, here are some points to consider. And, if you have a written lease contract, read it carefully for important terms of your lease.



Cost

Because most phones pay for themselves in four to six months, it may make good financial sense to buy them. Purchase prices for home phones range from about \$16 for a standard push button phone to \$100 and up for

Purchase vs. Lease



Standard Push Button

| Time | To Purchase | To Lease |
|--------|-------------|----------------|
| 1 year | \$25 | \$72 (\$6/mo) |
| 5 year | \$25 | \$360 (\$6/mo) |



Cordless

| Time | To Purchase | To Lease |
|--------|-------------|------------------|
| 1 year | \$100 | \$240 (\$20/mo) |
| 5 year | \$100 | \$1200 (\$20/mo) |

Phone prices will vary by model and leasing company.

more sophisticated units. This is a one-time charge.

Lease rates generally range from about \$6 a month for a standard push button model to \$20 a month for a cordless, or about \$72 to \$240 a year. Many consumer telephone leases are three-month leases, renewable month-to-month, with billing for payments monthly or quarterly on an advance payment basis.



Convenience

Telephones are available for purchase at local department stores, hardware stores, discount stores, and through catalogues. Once you pay for your telephone, you own it. If you move — across the street or across the country — you simply pack your phone and go.

Most purchased telephones come with a one- or two-year warranty from the manufacturer. For repairs and maintenance, you may have to take or send your purchased telephone to a

particular location, which may be in your area — or not. When your warranty expires, further repairs or maintenance are your responsibility.

Lease programs generally offer customers a free, same-model lifetime replacement warranty as well as an option to replace or trade in a leased phone for another color at no charge. Some leases also may offer free replacement cords, batteries and outlet conversion kits. In addition, some companies allow you to upgrade to another model for a fee. You may be able to reduce this charge through negotiation.

Occasionally, the same model is not available. Ask whether there would be an adjustment to your bill in that case. If you are moving out of the area, contact your telephone lease company to find out if you can take the phone with you. You may need to return the phone and lease through another company in your new location or buy a phone.

Telephone leases may be a realistic choice for some consumers, especially those with specific short-term needs. They can offer security: repairs and replacements are included in the overall cost. And some special features — a real bell ringer, for example — may be available only on leased phones. But remember, this convenience comes at a price.

If you lease your home phone, consider checking into the cost of replacing it. If you decide it's time to buy a phone, contact your telephone lease company to cancel your lease.



For More Information

The FTC publishes a series of free brochures on many issues of consumer interest. For a complete list, write for

Best Sellers, Consumer Response

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Washington, D.C. 20580; 202-FTC-HELP (382-4357). TDD 202-326-2502. FTC brochures also are available at www.ftc.gov.



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